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Central Intelligence Agency

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Washington, D. C. 20505

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18 October 1985

US-Greek Relations

Greek-US relations have been through one of the stormiest periods of the postwar era since Prime Minister Papandreou took office in 1981. In his quest to establish himself as the champion of Greek independence, Papandreou has lambasted the US in terms that few West European leaders have approached. Two of the more familiar and egregious examples were his labeling of the US as the "metropolis of imperialism" and his accusation that the South Korean passenger plane shot down in September 1983 may actually have been on a US spy mission. In addition, Papandreou has often taken positions at variance with the Allied consensus on key issues such as Poland and nuclear weapons free zones. He has also pulled out of NATO exercises in the Aegean because of Greece's disputes with Turkey and has repeatedly placed the future of the US bases in Greece in doubt.

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In fact, in recent months Papandreou has openly said he wants smoother relations with the US and appears to be laying the groundwork for a more accommodating policy on the US bases issue. In discussing below this apparent shift in Papandreou's approach, we would caution that his record holds ample evidence of the ease with which he can and has reversed course. Nonetheless, we are encouraged by the recent signals

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coming out of Athens. However tentative Greece's new course may be, it stands in clear contrast to the confrontational position Papandreou had maintained almost without interruption during his first four years in office. [REDACTED]

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- I. The comfortable majority Papandreou won in his bid for reelection last June placed him in a secure position politically and eliminated the possibility of having to rely on the pro-Moscow Communists to govern. With 157 out of 300 seats (see Table 1), his Panhellenic Socialist Movement Party (PASOK) controls enough votes in Parliament to push through most key pieces of legislation.

--Although the conservative New Democracy party did well in the election, it has been plagued in recent months by internal dissension and the defection of several parliamentary deputies.

--The Communists, still stinging from their unexpectedly poor showing at the polls, have not yet been able to mount a serious challenge. [REDACTED]

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- II. Since June, Papandreou has placed a great deal of emphasis on his desire for "calmer waters" with the West and the United States in particular. A softening of tone over the past six months has been followed by a number of specific actions in recent weeks designed, in our view, to assure the US and its Western allies that the government is moving to resolve outstanding problems.

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--Terrorism: The government has begun to appreciate US sensitivities about terrorism and is taking a tougher public stance against it. Athens has also begun to recognize -- albeit belatedly -- that international terrorism poses a threat to Greece and that the government itself is a target of terrorist activity. During Ambassador Oakley's visit to Athens last month, the government expressed its desire to expand [REDACTED] training cooperation with the United States. In addition, the government has taken a number of steps in recent weeks in response to specific terrorist incidents. [REDACTED]

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--Airport security: The Greeks are continuing to cooperate on the upgrading of security at Athens airport. A Greek team visited the United States in July as part of a counterterrorism training effort and reportedly were pleased with the program. [REDACTED]

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--US bases: Papandreou appears to be laying the groundwork for a shift in policy that would allow the continued operation of US bases after the US-Greek defense cooperation agreement expires in 1988. Since his reelection, he has avoided direct comment on the issue despite pressure from critics on the left and right. More recently, in a speech before his party's central committee, he scolded those party members who confused long-range, strategic goals -- pulling Greece out of NATO, withdrawing from the EC, and removing the

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US bases -- with intermediate or tactical objectives. The remarks are especially significant because they were made in a forum where the leftwing predominates and where Papandreou traditionally has taken his harshest anti-US stands. Finally, during his recent bilateral with Secretary Shultz at the UN, Foreign Minister Papoulias signaled a willingness to discuss the future of the US bases bearing in mind the "co-existence of the security requirements of the US and Greece."

--NATO: The government is proceeding with the NATO AWACs program on schedule, and despite considerable agitation from the Communists, it has been handling the issue well publicly. Flights will begin in mid-November. The Greeks are still refusing to participate in NATO exercises, however, and say they will not permit NATO forces to use Greek facilities during Aegean exercises. We do not expect the government to back down on the exercise issue since the Greeks view it as inextricably linked to their disputes with Turkey over sovereign rights in the Aegean (see Annex 1).

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III. We think one of the reasons Papandreou wants to take some of the heat out of US-Greek relations is his desire to turn full attention to the task of reviving a deteriorating economy

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--Under Papandreou, unemployment has doubled to about 8 percent, while inflation, at 18 percent, is nearly three times the EC average. Meanwhile, private investment has declined markedly in the past five years -- in part because of Papandreou's anti-business rhetoric -- and Greece's balance-of-payments has steadily deteriorated. The current account deficit is likely to set a new record, climbing above \$2.4 billion for 1985. Greece's foreign debt will top \$16 billion this year and rising debt service payments could force Athens to reschedule debt next year.

--Papandreou certainly recognizes the challenge. In a key economic address in August, he cited inflation and the balance-of-payments as his top priorities and called upon government, labor, and the private sector to cooperate in improving the economy. More recently, in a speech to party members, he explicitly stated that the private sector has an important role to play in the Greek economy and accused party members who

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thought otherwise of pursuing their own narrow interests.

--While the government's economic program will not formally be presented to Parliament until November, Papandreou recently announced a series of austerity measures that includes limiting wage increases, devaluing the drachma by 15 percent, and imposing import restrictions. He also promised to reduce the large public sector deficit.

--How much further Papandreou is willing to go is uncertain, although we believe he is unlikely to implement a wide-sweeping economic liberalization program. Apart from resistance to such measures within his own party, he could expect to encounter tough opposition elsewhere -- especially from the Communists who wield considerable influence in the trade unions. For their part, the Conservatives also are likely to resist a tighter incomes policy and could join forces with the Communists on the labor front.

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IV. Papandreou's current interest in improving relations with the West, however, is not only a product of his preoccupation with the economy. Papandreou is as much a pragmatist as an ideologue, and various reporting shows that he is alert to the tangible benefits Greece derives from its security ties to the West. Moreover, we think he has no illusions about the political risks involved in severing the relationship.

--Despite a number of high level changes in the Greek officer corps over the past four years, the military remains basically pro-West, and we think it would not countenance a decided shift toward neutralism, particularly if that jeopardized the steady supply of Western military aid and hardware Greece has come to rely on.

--At present, the US supplies over 80 percent of Greece's equipment needs and provides about \$500 million annually in aid -- primarily foreign military assistance credits. West Germany is Greece's second largest supplier of military aid, offering some \$25 million in credits annually.

--Greek dependence on and desire for US-manufactured equipment has been demonstrated most graphically in

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the controversy over the delay in the F-16 sale. Many of the recent positive steps noted above have been aimed precisely at convincing the US to speed up approval of the sale.

--Finally, Athens views its security relationship with the West as essential if for no other reason than as a protective shield against Turkey. Greeks across the political spectrum share the belief that Turkey harbors designs on Greek territory (see Annex 1) and that a balance of power in the region is the only effective deterrent. [REDACTED]

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TABLE 1

Greek Election Results 1985

	% Vote	Seats as of June	Seats as of October*
PASOK (Socialists)	45.8	161	157
New Democracy (Conservatives)	40.9	126	111
KKE (Communists)	9.9	12	10
KKE-Int. (Eurocommunists)	1.8	1	1
Other (Left, Right, Center)	1.6	--	--
Democratic Restoration (Conservative)	--	--	10
Independents	--	--	11

*Shortly after the June election 11 deputies declared themselves as independents or leaders of small splinter parties (four pro-PASOK, five pro-New Democracy, and two pro-KKE). Ten more New Democracy deputies broke with the party in September to form a new conservative party, the Democratic Restoration party.

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ANNEX 1

Greek-Turkish Relations

Tensions in Greek-Turkish relations since the early 1970s stem largely from a tangled web of conflicting claims in the Aegean that touch on Greek and Turkish national security interests. Greeks across the political spectrum see Turkey as a growing regional power with designs on Greek territory, particularly in the Aegean. For their part, the Turks believe that Greece is seeking to preempt what they view as legitimate Turkish rights in the area--a perception intensified after Papandreou first became Prime Minister of Greece in 1981. On occasion, the Greek and Turkish Governments have each raised the level of tensions. Papandreou's rhetorical flourishes have tended to reinforce Turkish perceptions of an intransigent Greece. Similarly, Ankara's periodic penetrations of Greek-claimed airspace have tended to confirm Greek perceptions of an aggressive Turkey. At present, both parties appear intent on preventing minor incidents from mushrooming into open conflict, but events--such as the Turkish Cypriot declaration of independence in late 1983--have severely strained Greek-Turkish relations.

--Continental shelf rights: Greece maintains that its inhabited islands have their own continental shelves--a view bolstered by international conventions. Turkey argues that many of the Greek islands lie on the Anatolian shelf, and it demands an equal share in the economic exploitation and distribution of the Aegean's seabed resources--an issue made more urgent in Ankara's eyes by the discovery of oil there in the early 1970s.

--Territorial waters: Greece's territorial waters currently are set at 6 nautical miles, but Athens reserves the right to extend its boundaries to 12 nautical miles. Ankara argues that this would cut off Turkey's direct access to international waters and has made known that such an extension could constitute a casus belli.

--Airspace and air traffic control: Since the early 1930s, Greece has claimed an airspace of 10 nautical miles around its islands, and it has international sanction to supervise all civilian flights in the Aegean. Athens has insisted that all Turkish aircraft entering its Flight Information Region file flight plans. Turkey recognizes an airspace of only 6 nautical miles around the islands and does not file plans for military flights, claiming that such flights do

not affect safety in the area and therefore do not come under the provisions governing commercial air traffic.

- The militarization of the Aegean islands: Greece claims that the right of national self-defense overrides any treaty provisions providing for the demilitarization of its Aegean islands. It justifies the upgrading of its defenses on the islands by pointing to the Turkish invasion of Cyprus and the creation after 1974 of the Turkish Aegean Army based in Izmir. Turkey argues that the treaties under which the islands were ceded to Greece dictate that they remain demilitarized. Disagreement over the right of Greece to militarize Limnos Island is one of the most contentious issues at present. Treaty provisions and supporting documentation, although ambiguous, lend some support to Greece's legal claim with regard to Limnos. The failure of Greece's allies to take a position on the case has prompted Athens to withdraw from NATO exercises.
- NATO command and control: Greece withdrew from the military wing of NATO in 1974 to protest the Turkish invasion of Cyprus. Until then, Alliance command and control responsibility in the Aegean had fallen to Athens. After strenuous negotiations with the Allies--in part aimed at developing a framework for reintegration that would overcome Turkey's objections to Greece's reentry--the conservative government of Prime Minister Karamanlis rejoined NATO in 1980. Under the reentry plan, command and control responsibility in the Aegean was assigned to the Commander-in-Chief, Allied Forces, Southern Europe, pending the resolution of the disputes between Greece and Turkey. These disputes are still unresolved--Greece is seeking to regain its pre-1974 responsibilities, while Turkey is pressing for some formula that would allow for joint control. The lack of progress on the issue reflects each side's concern that an agreement might prejudice its other claims in the Aegean.
- Minorities: Greece and Turkey periodically accuse each other of discriminating against the ethnic communities living under their respective jurisdictions. Greece's Muslim minority resides primarily in Thrace--close to the Turkish border--and on the island of Rhodes. The ethnic Greeks in Turkey live primarily in Istanbul and Izmir and on the islands of Imbros and Tenedos. Each side accuses the other of failing to respect the safeguards for minority communities outlined by the 1923 Treaty of Lausanne.
- Cyprus: The unresolved Cyprus problem has exacerbated the disputes in the Aegean. Greece points to the Turkish

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invasion of Cyprus in 1974 as proof of what it views as Ankara's aggressive intentions and has called for the withdrawal of Turkish troops as a precondition for negotiations between the two Cypriot communities. Turkey insists that it was the Athens-inspired coup against then President and Archbishop Makarios that prompted its intervention and that, as one of the original treaty guarantors of Cypriot independence, it had the right to intervene in order to protect the constitutional order. Ankara also argues that it must maintain a military presence in order to protect the Turkish Cypriot minority pending an acceptable resolution of the intercommunal differences. After the Turkish Cypriot unilateral declaration of independence in November 1983, relations grew more tense. Efforts of the UN Secretary General to broker a settlement over the past year have borne little fruit, and despite the apparent optimism of the UN, the two sides seem as far apart on key issues as ever. [redacted]

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EURA/WE/IAB/ (18 October 1985)

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